RBC Royal Bank

RBC Royal Bank uses a Teradata Warehouse and Teradata Value Analyzer to realize its CRM strategy

The Customer

RBC Royal Bank is Canada's largest bank and global financial services organization with assets of CAN$294 billion. RBC Royal Bank serves more than 11 million personal and commercial banking customers through 1,300 retail branches, more than 4,800 ATMs, telephone and Internet banking, and point-of-sale terminals. It provides personal and commercial banking, credit card services, wealth management services, insurance, corporate and investment banking, and transaction processing on a global basis.

> By differentiating between the current and potential value of clients, the bank uses CRM to better manage customer relationships by ensuring the right products are available at the right times in each customer's life.

> Revenue per marketing dollar has shown double-digit growth each year for the past three years.

> Direct marketing campaign response rates are up dramatically, as high as 40% in some cases – compared to an industry average response rate of 2 – 4%.

> A targeted marketing program led to a 51% increase in deposits for Registered Retirement Savings Plans.

> Sales personnel proactively pursue opportunities with clients, enabling true account management that generates greater customer loyalty through relevant product offers.

Business Objectives

Unlike most banks, RBC Royal Bank has well understood the need to leverage the economic value of customer information for many years. Since the late 1970's, the bank has searched for and found innovative ways to use its customer data to improve its business performance and better serve clients. In fact, RBC Royal Bank was one of the first to realize the powerful capabilities of data warehousing and by the early 1990's it had implemented a first-generation Teradata* Warehouse solution.

The data warehouse effectively captured millions of daily client transactions, and performed broad client segmentation, but Royal, always on the leading edge, sought new ways to assess and manage customer relationships – at the individual client level. Royal's emerging CRM vision was confirmed by a 1997 study that challenged conventional thinking – that key differentiating factors for banks amounted to a 24/7 call center and a branch on every corner. The study revealed that customers wanted a banking relationship where they were well understood, their needs anticipated and their business was valued. In this environment, mass marketing to huge customer segments simply wouldn't work.

To RBC Royal Bank, the future became clear: the bank would find ways to be increasingly responsive and client-focused in a competitive environment where banking services were largely undifferentiated. This meant

EXHIBIT J

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establishing an aggressive, one-to-one CRM strategy. RBC Royal Bank knew its enterprise data warehouse would serve as the core CRM information engine. Yet they also knew they would need a powerful analytical application to score and manage millions of individual clients by value – and enable one-to-one CRM dialogues across all customer touch points.

Kevin Purkiss, manager, customer analytics, summarizes its CRM focus. "True sustainable advantage will only be created by successfully integrating client information, sales processes across all channels and technology platforms into a comprehensive solution for clients – no matter where, when or how they interact with the bank. And central to the realization of this customer-centric strategy is the ability to measure client value accurately, efficiently and on a continuing basis."

The Teradata Decision

In its drive to further refine service and product offerings, cost management, pricing initiatives and marketing programs, the bank began work to upgrade its existing profitability prototype so it could gain a more granular measure of client profitability. To augment its existing client-value model and support its CRM strategy, the bank knew it needed a solution that would be:

- behavioral-based and customer-centric;
- integrated with its CRM strategy;
- flexible enough to aggregate profitability according to user-defined units within the bank, such as the entire spectrum of business units, products and product groups, client segments, geographical regions and distribution channels; and,
- scalable to evolve with the bank's business direction and strategy

With a view to finding the best technology platform for measuring profitability, RBC Royal Bank set about evaluating the third-party products and vendors that seemed best able to meet all of its criteria. In the end, the bank chose the option that offered the best all-around solution: Teradata's Value Analyzer."

By adding Teradata's Value Analyzer to its existing data warehouse platform, the bank could move from product portfolio reporting to client segment reporting. Initial design to full operation was completed in only a little more than six months, including fully defining business requirements and an extensive data verification process.

Business Insights

RBC Royal Bank's ten million retail customers are grouped into discrete segments based on such factors as current and potential profitability and channel preferences. Strategies are then developed for each segment, and
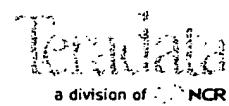

THE TERADATA WAREHOUSE

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RBC Royal Bank

for thousands of micro-segments within each segment. Individual treatment strategies are tested on small cells of clients to establish what works and what doesn't work.

"We recalculated customer profitability using the account level metric produced by Teradata's Value Analyzer, which showed that 75 percent of our customers moved two or more deciles," says Purkiss.

With the re-defined client value measures, the bank makes strategic investments in relationships for their future potential profitability.

"We streamlined decision-making and reporting for all marketing and sales initiatives with this accurate and concise assessment of client portfolios and their values," says Purkiss.

RBC Royal Bank knew it also needed to integrate the application of client value metrics into the day-to-day activities of the front line staff. The bank's client sales and service system (CSS) enables sales personnel to proactively pursue opportunities with clients, enabling true account management that generates greater customer loyalty through relevant product offers.

The use of current and historical client value measures lets Royal Bank assess client segmentation in a more sophisticated way, by taking into account factors such as life stage changes.

"From current value, we have progressed to potential value," says Ted Brewer, vice president, CRM and information management. "It is critically important to differentiate between the current and potential value of clients. In this way, we can manage a relationship, actualizing CRM by ensuring the right product is available at the right time in the customer's life."

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>
> - Kevin Purkiss, Manager, Customer Analytics, RBC Royal Bank

And that's showing in the bank's direct marketing campaigns, where response rates are up dramatically, as high as 40 percent in some cases – compared to an industry average response rate of two to four percent. For its Registered Retirement Savings Plans (similar to Individual Retirement Accounts), RBC Royal Bank used its CRM solution to execute a marketing program targeted to specific investment styles. The result? An 11 percent increase in RSP deposits.

For its Royal Certified Service (RCS) everyday banking package, the bank determined that 90 percent of the accounts of customers using the service were unprofitable. By drilling into the transaction data that supports Value Analyzer's account level calculation, the bank identified that a large proportion of customers' account transactions were higher cost bill payments at Automatic Banking Machines.

Recognizing that most of these customers represented valuable overall relationships, RBC Royal Bank did not want to increase the package price. Instead, the bank introduced fuller channel access to the package, including telephone (IVR) and Internet at no added cost to the customer. The enhanced convenience and access were promoted for existing package clients. Over the next 18 to 24 months, the clients' migrated their bill payment methods to a more convenient channel for them, and a more cost-effective channel for the bank.

The re-packaged Royal Certified Service was then promoted to non-users, targeting clients with a high volume of checks and withdrawals. To lessen potential negative impact on short-term revenue, the bank also targeted clients paying less than the monthly package fee for RCS. Within 12 months, RBC Royal Bank generated CAN $21 million in additional revenue and increased this "satisfied" client base of everyday banking package users by 50% over two years.

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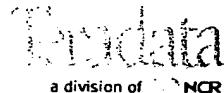
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– Ted Brewer, Vice President, CRM and Information Management, RBC Royal Bank

The Teradata Warehouse and Value Analyzer are proving their ability to scale as RBC Royal Bank has begun incorporating an additional 500,000 small business customers into the warehouse.

"Each year for the past three years, the amount of revenue per marketing dollar has shown double digit growth," says Brewer.

Why Teradata?

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RBC Royal Bank's enhanced Teradata Warehouse and the Client Current Value Measurement model (Value Analyzer) have delivered award-winning results and have proven to be business-critical tools that will continue to bring RBC Royal Bank ever closer to Zen (or peak-level) CRM – where one-to-one technology enables one-to-one customer relationship management.

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